



Dubai Aerospace Enterprise (DAE) Ltd

Results for the six months ended 30 June 2019

CONFERENCE CALL DETAILS

DAE will host a conference call at 09.00 EST / 14.00 IST / 17.00 GST on Tuesday 6th August, 2019 to review our results for the six months ended 30 June, 2019. The call can be accessed live by dialling (Ireland) +353 (0) 1 246 5638, (UAE) 8000 3570 2653, (U.S.) +1 646 828 8143 or (UK) +44 (0) 330 336 9105 and referencing code 5288652 at least 15 minutes before the start time. Further information can be found on our website <http://www.dubai.aerospace.com>.

RESULTS ANNOUNCEMENT

We present management's discussion and analysis of the financial condition and results of operations for the six months ended 30 June, 2019 which should be read in conjunction with the unaudited condensed consolidated financial statements (the "interim financial statements") of Dubai Aerospace Enterprise (DAE) Ltd ("DAE") and its subsidiaries (together and hereinafter "we" or "us"). References to "30 June, 2019" are to the six months ended 30 June, 2019 and to "30 June, 2018" are to the six months ended 30 June, 2018.

FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE, 2019

- Operating profit for the six months ended 30 June, 2019 was \$401.3 million compared to \$379.2 million for the six months ended 30 June, 2018. During the six months ended 30 June, 2019 there was increased revenue and an increase in the gains on disposal of aircraft.
- Profit for the six months ended 30 June, 2019 was \$197.1 million compared to \$195.2 million for the six months ended 30 June, 2018.
- Adjusted EBITDA increased to \$688.4 million for the six months ended 30 June, 2019, from \$658.6 million for the six months ended 30 June, 2018.
- Total cash and cash resources as at 30 June, 2019 of \$350.3 million represents a decrease of \$58.5 million compared to \$408.8 million as at 31 December, 2018.
- Total assets were \$14,310.8 million as at 30 June, 2019, compared to \$14,705.2 million as at 31 December, 2018.

OPERATIONAL HIGHLIGHTS

- The operational highlights for the six months ended 30 June, 2019 and 30 June, 2018 are summarised below:
 - Purchases – we purchased eight aircraft (2018: 15 aircraft).
 - Sales – we disposed of 18 aircraft (2018: eight aircraft).
 - Total aircraft in the fleet at 30 June, 2019 was 357 which consists of the following:
 - 302 owned aircraft - includes seven aircraft on finance lease (31 December, 2018: 312 which included eight aircraft on finance lease and 16 aircraft classified as held-for-sale ("HFS"))
 - 51 managed aircraft - managed on behalf of various third parties (31 December, 2018: 37 aircraft).
 - Four committed aircraft.
- We drew down a total of \$1,719.6 million of borrowings during the six months ended 30 June, 2019.
- Following the repurchase of shares during the six months ended 30 June, 2019, DAE is now 100% owned, directly and indirectly, by the Investment Corporation of Dubai ("ICD").
- During the quarter, we closed an Asian revolving credit facility for \$440 million. Since quarter end we also closed an additional \$490 million unsecured facilities.

SUBSEQUENT EVENTS

- Subsequent to period end Dubai Aerospace Enterprise (DAE) Ltd was assigned Long-Term Issuer Default Rating (IDR) of 'BBB-' with Stable Outlook and senior secured long-term rating of 'BBB' by Fitch Ratings. Fitch Ratings also assigned DAE Funding LLC (a wholly owned subsidiary of DAE) senior unsecured long-term rating of 'BBB-'.

FORWARD-LOOKING STATEMENTS

This presentation contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended. These forward-looking statements relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words "anticipate", "assume", "believe", "budget", "continue", "could", "estimate", "expect", "future", "intend", "may", "plan", "potential", "predict", "project", "will" and similar terms and phrases to identify forward-looking statements. Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realised. Some of these expectations may be based upon assumptions or judgements that prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realised or otherwise materially affect our financial condition, results of operations and cash flows. Any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to vary materially from our future results, performance or achievements, or those of our industry, expressed or implied in such forward-looking statements. All amounts expressed in "\$" or "dollars" refer to U.S. dollars.

RESULTS OF OPERATIONS

The following discussion of our results of operations is based on the condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of financial position which have been extracted from our interim financial statements for the six months ended 30 June, 2019.

Results of operations (in millions of USD)

	<u>Six months ended</u>	
	<u>30 Jun, 2019</u>	<u>30 Jun, 2018</u>
Consolidated statement of comprehensive income data		
Total revenue.....	\$ 726.9	\$ 711.4
Gain on disposal of aircraft.....	33.2	18.5
Expenses		
Depreciation and amortisation.....	(287.1)	(279.4)
General and administrative expenses.....	(40.7)	(44.5)
Cost of providing engineering maintenance services.....	(25.4)	(21.6)
Aircraft maintenance.....	<u>(5.6)</u>	<u>(5.2)</u>
Operating profit	401.3	379.2
Net finance costs.....	<u>(188.2)</u>	<u>(155.2)</u>
Profit before income tax	213.1	224.0
Income tax expense.....	<u>(16.0)</u>	<u>(28.8)</u>
Profit for the period	<u>197.1</u>	<u>195.2</u>
	<u>As of</u>	
	<u>30 Jun, 2019</u>	<u>31 Dec, 2018</u>
Consolidated statement of financial position data (Extract)		
Total cash and cash resources.....	\$ 350.3	\$ 408.8
Aircraft held-for-lease.....	11,989.1	11,708.2
Assets held-for-sale.....	-	521.1
Total assets	14,310.8	14,705.2
Total loans and borrowings.....	9,081.6	9,260.6
Total equity.....	3,320.1	3,524.8
Total equity and liabilities	14,310.8	14,705.2
	<u>Six months ended</u>	
	<u>30 Jun, 2019</u>	<u>30 Jun, 2018</u>
Adjusted EBITDA calculation ⁽¹⁾		
Profit for the period	\$ 197.1	\$ 195.2
Add back		
Net finance costs.....	188.2	155.2
Income tax expense.....	16.0	28.8
Depreciation and amortisation.....	<u>287.1</u>	<u>279.4</u>
Adjusted EBITDA	688.4	658.6
	<u>As of</u>	
	<u>30 Jun, 2019</u>	<u>31 Dec, 2018</u>
Net debt to equity ⁽²⁾	2.67x	2.57x
Total aircraft in the fleet	357	354

(1) We define Adjusted EBITDA as profit for the applicable period, excluding net finance costs, income tax expense and depreciation and amortisation. Adjusted EBITDA is not a financial measure calculated under International Financial Reporting Standards ("IFRS"). We use Adjusted EBITDA to assess financial and operating performance and we believe this non-IFRS measure is helpful in identifying trends in our performance. Our method of calculating Adjusted EBITDA may differ from similarly named non-IFRS measures of other companies.

(2) Net debt to equity is calculated by dividing net loans and borrowings less cash and cash equivalents by total equity.

All financial information above has been rounded for presentation purposes. Any percentages are based on unrounded figures.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

DAE is a global aerospace company headquartered in Dubai. DAE conducts its activities through two divisions: (i) Aircraft Leasing (DAE Capital) and (ii) Engineering (DAE Engineering). The aircraft leasing division is engaged in acquiring and leasing commercial aircraft to airlines, selling and trading aircraft, and managing aircraft on lease for third-party investors. The engineering division currently consists of an 80% ownership stake in Joramco, a provider of commercial aircraft maintenance, repair and overhaul (MRO) services. DAE is 100% owned, directly and indirectly, by ICD, the investment arm of the Government of Dubai.

Aircraft leasing business (DAE Capital)

We are one of the largest aircraft leasing companies in the world. At 30 June, 2019 we had a total fleet of 357 aircraft which was made up of 302 owned aircraft (including seven aircraft on finance lease) and 51 managed aircraft. In addition, we also have four new, fuel-efficient aircraft on order from Airbus S.A.S. ("Airbus") and The Boeing Company ("Boeing"), which are due to deliver throughout 2019 and 2020. These aircraft are on lease to 110 lessees in 56 countries.

As of 30 June, 2019, the aggregate book value of our owned fleet of \$12,095.5 million includes finance lease receivable aircraft. As of 30 June, 2019, 92.3% of our leases were subject to fixed lease rates as a percentage of lease revenue.

Our lease portfolio is highly diversified, geographically and by airline, with our top five lessees representing 31.0% of our portfolio based on lease revenue as of 30 June 2019. Emirates, a related party, is our largest customer contributing 16.5% of lease revenue during the six months ended 30 June, 2019.

Analysis by aircraft type for the leasing business

Aircraft Type	Owned Portfolio	Managed Portfolio	Committed Portfolio	Total
A320 family	110	23	1	134
A330-200	15	1	-	16
A330-300	10	1	-	11
A350-900	2	-	-	2
Total Airbus	137	25	1	163
B737 family	82	18	-	100
B737 classics	-	3	-	3
B747-400	3	-	-	3
B757-200	-	1	-	1
B767-300ER	-	2	-	2
B777F	12	-	3	15
B777	3	-	-	3
B787	12	-	-	12
Total Boeing	112	24	3	139
ATR 72-600	53	2	-	55
Total	302	51	4	357
Narrow body	192	44	1	237
Wide body	57	5	3	65
Turboprop	53	2	-	55
Total	302	51	4	357

Six Months Ended 30 June, 2019 Compared to Six Months Ended 30 June, 2018

Revenues

	Six months ended	
	30 Jun, 2019	30 Jun, 2018
	USD millions	
Lease revenue.....	\$ 661.1	\$ 678.0
Maintenance revenue.....	\$ 38.6	\$ 10.5
Amortisation of lease incentive, lease discounts and other lease costs.....	\$ (16.9)	\$ (12.9)
Total lease revenue.....	\$ 682.8	\$ 675.6
Engineering maintenance service revenue – Joramco.....	\$ 38.7	\$ 33.1
Total lease revenue and engineering maintenance service revenue.....	\$ 721.5	\$ 708.7
Other income.....	\$ 5.4	\$ 2.7
Total revenue.....	\$ 726.9	\$ 711.4

Total revenue increased to \$726.9 million for the six months ended 30 June, 2019 from \$711.4 million for the six months ended 30 June, 2018 due to the reasons outlined below.

Total lease revenue increased to \$682.8 million for the six months ended 30 June, 2019 from \$675.6 million for the six months ended 30 June, 2018. This increase was due primarily to increased maintenance revenue which mainly related to end of lease compensation payments, partly offset by lower revenue resulting from increased bad debt provisions and a decrease in the number of revenue-generating aircraft in the fleet during the six months ended 30 June, 2019 compared to the prior period.

Engineering maintenance service revenue – Joramco increased to \$38.7 million for the six months ended 30 June, 2019, compared to \$33.1 million for the six months ended 30 June, 2018.

Gain on disposal of aircraft

Gain on disposal of aircraft increased for the six months ended 30 June, 2019 to \$33.2 million from \$18.5 million for the six months ended 30 June, 2018. During the six months ended 30 June 2019, we sold 18 owned aircraft, compared to eight owned aircraft during the six months ended 30 June, 2018. Of the 18 aircraft sold, 16 aircraft were sold to third parties where management of the aircraft was retained by DAE.

Fluctuations in the gain or loss on disposal of aircraft are not only a function of the number of disposals, but are also dependent on the type and age of aircraft, an accounting adjustment for revenue earned from the economic closing date to the transfer of title to the buyer, as well as the prevailing market trading conditions in the underlying period.

Expenses

Expenses for the six months ended 30 June, 2019 increased to \$358.8 million compared to \$350.7 million for the six months ended 30 June, 2018. This increase was principally due to higher depreciation and amortisation expenses. This was partially offset by lower general and administrative expenses over the six months ended 30 June, 2019 compared to the prior period.

Net finance costs

Net finance costs increased to \$188.2 million for the six months ended 30 June, 2019 from \$155.2 million for the six months ended 30 June, 2018. This increase was due to lower finance income which related primarily to the movement in fair value of derivatives. The movement in the fair value of derivatives during 2019 is being shown as part of other comprehensive income as all derivatives are now in designated hedge relationships. There was also higher finance expenses due to acceleration of the amortisation of loan fees after the early repayment of certain loans and lower gains on financial instruments during the six months ended 30 June, 2019 compared to the prior period.

Income tax expense

During the six months ended 30 June, 2019, we recorded a tax expense of \$16.0 million compared to \$28.8 million for the six months ended 30 June, 2018. The income tax expense for the six months ended 30 June, 2019 was primarily driven by tax arising on the group's Irish activities at 12.5%. The reduction in the effective tax rate relates primarily to a reduction in the profits of the group attributable to Ireland as well as a reduction in the losses for which no tax benefit was recognised.

Profit for the period

Profit for the six months ended 30 June, 2019 was \$197.1 million, compared to \$195.2 million for the six months ended 30 June, 2018 mainly due to reasons outlined above.

Consolidated Cash Flows

The following table presents our consolidated cash flows for the six months ended 30 June, 2019 and the six months ended 30 June, 2018. The cash and cash equivalents shown below refer to unrestricted cash.

	<u>Six months ended,</u>	
	30 Jun, 2019	30 Jun, 2018
	USD millions	
Consolidated cash flow data		
Net cash generated from operating activities	\$ 655.5	\$ 638.0
Net cash used in investing activities	\$ (229.2)	\$ (397.4)
Net cash used in financing activities.....	\$ (401.9)	\$ (366.8)
Net increase / (decrease) in cash and cash equivalents.....	\$ 24.4	\$ (126.2)
Cash and cash equivalents at the beginning of the period.....	\$ 193.0	\$ 369.9
Cash and cash equivalents	\$ 217.3	\$ 243.7

For the six months ended 30 June, 2019, net cash generated from operating activities were \$655.5 million, an increase from \$638.0 million for the six months ended 30 June, 2018.

For the six months ended 30 June, 2019, net cash used in investing activities was \$229.2 million, compared to \$397.4 million for the six months ended 30 June, 2018. This movement mainly relates to higher proceeds from disposal of aircraft compared to prior period offset by increases in deposits paid for aircraft purchases.

Net cash used in financing activities for the six months ended 30 June, 2019 was \$401.9 million compared to \$366.8 million for the six months ended 30 June, 2018. This movement was due to repurchase of share capital of \$107.0 million offset by release of restricted cash and a net increase in borrowings drawn down of \$36.4 million during the six months ended 30 June, 2019 compared to the prior period.

Our cash and cash equivalents, as at 30 June, 2019 was 217.3 million, down from \$243.7 million as at 30 June, 2018.

Loans and borrowings, Liquidity and Capital Resources

Loans and borrowings

Our total loans and borrowings before debt issuance costs decreased to \$9,169.2 million as at 30 June, 2019 from \$9,359.3 million as at 31 December, 2018. This was primarily due to early repayment of certain loans during the six months ended 30 June, 2019. At 30 June, 2019, our level of unsecured debt had increased to 57% compared to 46% in 31 December, 2018. The average cost of debt was 4.4% which is in line with year-end 2018 and the weighted average debt maturity was 4.9 years compared to 5.2 years at 31 December, 2018.

	Collateral aircraft	Six months ended 30 Jun, 2019 USD millions
Non-recourse obligations.....	15	\$ 357.7
Recourse obligations (incl ECA, Ex-Im & EDC).....	118	\$ 3,397.7
Senior unsecured notes.....	-	\$ 2,857.3
Unsecured facilities.....	-	\$ 462.0
Revolving credit facilities.....	-	\$ 1,878.0
Term loan 2014.....	9	\$ 216.5
Total indebtedness.....	<u>142</u>	<u>\$ 9,169.2</u>

In addition to the 142 aircraft used as collateral on our secured facilities, 160 aircraft (31 December, 2018: 138 aircraft) were unencumbered with a total net book value of \$6,111.4 million at 30 June, 2019 (31 December, 2018: net book value: \$4,694.9 million). Further information of the loan facilities can be found in the consolidated financial statements note 14.

Our level of unsecured revolving credit facilities at 30 June, 2019 was \$2,855.0 million of which \$980 million was available.

We expect to meet our contractual payment obligations on future capital expenditures, through a combination of equity, cash flows from operations, commercial debt raising activities, and the utilisation of revolving credit facilities in aggregate.

Liquidity and Capital Resources

Our total equity decreased to \$3,320.1 million as at 30 June, 2019 from \$3,524.8 million as at 31 December, 2018 due primarily to the repurchase of shares during 2019. Our Net Debt to Equity ratio was 2.67:1 times as at 30 June, 2019 compared to 2.57:1 times as at 31 December, 2018.

We believe that the sources of liquidity mentioned above, together with cash generated from operations, will be sufficient to operate our business and repay our debt maturities for at least the next 12 months.

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Dubai Aerospace Enterprise (DAE) Ltd

**Unaudited condensed consolidated interim financial
statements for the six month period ended 30 June 2019**

Dubai Aerospace Enterprise (DAE) Ltd

Unaudited condensed consolidated interim financial statements for the six month period ended 30 June 2019

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Report on review of interim condensed consolidated financial statements to the shareholders of Dubai Aerospace Enterprise (DAE) Ltd

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Dubai Aerospace Enterprise (DAE) Ltd (the “Company”) and its subsidiaries (together the “Group”) as at 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and condensed consolidated statements of cash flows and changes in equity for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’ (‘IAS 34’) as issued by the International Accounting Standards Board (‘IASB’).

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, ‘Review of interim financial information performed by the independent auditor of the entity’. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

/s/ PricewaterhouseCoopers

PricewaterhouseCoopers Limited
5 August 2019

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Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated statement of profit or loss and other comprehensive income

<i>In thousands of US Dollars</i>					
	Note	Unaudited 3 months ended 30 Jun-19	Unaudited 3 months ended 30 Jun-18	Unaudited 6 months ended 30 Jun-19	Unaudited 6 months ended 30 Jun-18
Revenues					
Revenue	6	365,507	357,347	721,528	708,745
Other income		1,356	1,607	5,354	2,646
Total revenue		366,863	358,954	726,882	711,391
Gain on disposal of aircraft		4,585	18,612	33,151	18,539
Expenses					
Depreciation and amortisation		(144,624)	(140,102)	(287,138)	(279,418)
General and administrative expenses		(19,766)	(21,299)	(40,603)	(44,574)
Cost of providing engineering maintenance services		(10,485)	(10,999)	(25,382)	(21,589)
Aircraft maintenance		(2,119)	(2,193)	(5,580)	(5,187)
Operating profit		194,454	202,973	401,330	379,162
Finance income	7	15,490	29,350	34,140	62,434
Finance expense	7	(106,517)	(118,178)	(222,339)	(217,588)
Net finance cost		(91,207)	(88,828)	(188,199)	(155,154)
Profit before income tax		103,427	114,145	213,131	224,008
Income tax expense	8	(5,379)	(14,893)	(16,061)	(28,786)
Profit for the period		98,048	99,252	197,070	195,222
Other comprehensive income					
<i>Items that may be reclassified to condensed consolidated statement of profit or loss:</i>					
Unrealised (loss)/gain on interest rate hedges		(28,844)	1,961	(46,421)	4,540
Income tax benefit relating to components of other comprehensive income		921	-	1,606	-
Total comprehensive income for the period		70,125	101,213	152,255	199,762
Profit for the period attributable to:					
Equity holders of the Company		98,224	99,235	196,692	194,826
Non-controlling interests		(176)	17	378	396
Total		98,048	99,252	197,070	195,222
Total comprehensive income for the period attributable to:					
Equity holders of the Company		70,301	101,196	151,877	199,366
Non-controlling interests		(176)	17	378	396
Total		70,125	101,213	152,255	199,762

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated statement of financial position

In thousands of US Dollars

	Note	Unaudited 30 June 2019	Audited 31 Dec 2018
Assets			
Aircraft held for lease	9	11,989,060	11,708,173
Property, plant and equipment		110,055	91,924
Deposits for aircraft purchases	11	158,642	70,663
Intangible assets		7,011	7,760
Goodwill		44,668	44,668
Finance lease receivables	16	96,688	106,735
Investment in debt instruments	18	19,115	-
Notes receivable	17	1,238,267	1,464,791
Other non-current assets		172,631	161,031
Total non-current assets		13,836,137	13,655,745
Cash and cash equivalents	12	217,325	192,950
Restricted cash	12	132,988	215,802
Inventories		9,979	9,770
Derivative financial assets		2,214	16,530
Trade and other receivables		37,539	36,223
Prepayments		8,135	5,407
Finance lease receivables	16	9,774	10,966
Other current assets		56,734	40,671
Assets held-for-sale	10	-	521,104
Total current assets		474,688	1,049,423
Total assets		14,310,825	14,705,168
Equity			
Share capital	13	1,927,770	1,927,770
Additional paid-in capital		517,884	517,884
Treasury shares		(442,001)	(85,000)
Other reserves		(55,144)	(10,329)
Retained earnings		1,361,849	1,165,157
Attributable to the equity holders of the Company		3,310,358	3,515,482
Non-controlling interests		9,734	9,356
Total equity		3,320,092	3,524,838
Liabilities			
Loans and borrowings	14	8,490,155	8,144,726
Deferred tax liabilities		271,407	258,783
Maintenance reserves and security deposits	15	1,163,770	1,125,070
Lease liabilities	3	33,411	-
Deferred revenue		63,080	68,217
Total non-current liabilities		10,021,823	9,596,796
Loans and borrowings	14	591,425	1,115,882
Trade and other payables		47,565	60,599
Derivative financial liabilities		44,761	13,370
Maintenance reserves and security deposits	15	213,107	199,332
Lease liabilities	3	2,826	-
Deferred revenue		67,377	71,834
Current tax liabilities		1,849	1,620
Liabilities held-for-sale	10	-	120,897
Total current liabilities		968,910	1,583,534
Total liabilities		10,990,733	11,180,330
Total equity and liabilities		14,310,825	14,705,168

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated statement of cash flows

<i>In thousands of US Dollars</i>	Unaudited 30 June 2019	Unaudited 30 June 2018
Cash flows from operating activities		
Profit for the period	197,070	195,222
Adjustments for:		
Depreciation and amortisation	287,138	279,418
Gain on disposal of aircraft	(33,151)	(18,539)
Net finance cost	165,704	147,620
Amortisation of fair value discounts and financing fees	22,495	7,534
Income tax	16,061	28,786
Changes in operating assets and liabilities		
Movement in in trade and other receivables	(1,316)	(2,568)
Movement in finance lease receivables	11,239	9,755
Movement in maintenance reserves and security deposits	52,475	31,513
Movement in other assets and liabilities	(62,193)	(40,756)
Net cash from operating activities	655,522	637,985
Cash flows from investing activities		
Acquisition of aircraft	(541,272)	(534,372)
Proceeds from sale of aircraft	455,674	229,507
Deposits paid for aircraft purchases	(143,643)	(92,542)
Net cash used in investing activities	(229,241)	(397,407)
Cash flow from financing activities		
Movement in restricted cash	82,814	(14,416)
Repurchase of share capital	(107,000)	-
Proceeds from borrowings	1,719,576	774,455
Repayment of borrowings	(1,886,504)	(977,764)
Net financing costs	(201,872)	(137,788)
Payment of debt issuance costs	(8,920)	(11,250)
Net cash used in financing activities	(401,906)	(366,763)
Net increase/(decrease) in cash and cash equivalents	24,375	(126,185)
Cash and cash equivalents at the beginning of the period	192,950	369,870
Cash and cash equivalents at the end of the period	217,325	243,685

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated statement of changes in equity

<i>In thousands of US Dollars</i>	Share capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Attributable to the equity holders of the Company	Non-controlling interests	Total equity
Unaudited								
At 31 December 2018	1,927,770	517,884	(85,000)	(10,329)	1,165,157	3,515,482	9,356	3,524,838
Profit for the period	-	-	-	-	196,692	196,692	378	197,070
Other comprehensive income	-	-	-	(44,815)	-	(44,815)	-	(44,815)
Total comprehensive income for the period	-	-	-	(44,815)	196,692	151,877	378	152,255
Purchase of own shares	-	-	(357,001)	-	-	(357,001)	-	(357,001)
At 30 June 2019	1,927,770	517,884	(442,001)	(55,144)	1,361,849	3,310,358	9,734	3,320,092

<i>In thousands of US Dollars</i>	Share capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Attributable to the equity holders of the Company	Non-controlling interests	Total equity
Unaudited								
At 31 December 2017	1,927,770	517,884	(85,000)	506	792,482	3,153,642	9,108	3,162,750
Profit for the period	-	-	-	-	194,826	194,826	396	195,222
Other comprehensive income	-	-	-	4,540	-	4,540	-	4,540
Total comprehensive income for the period	-	-	-	4,540	194,826	199,366	396	199,762
At 30 June 2018	1,927,770	517,884	(85,000)	5,046	987,308	3,353,008	9,504	3,362,512

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

1. Corporate information

Dubai Aerospace Enterprise (DAE) Ltd (“the Company”) (the Company and its subsidiaries are together referred to as “the Group” or “DAE”) is the parent company of the Group. The Company is limited by shares and was incorporated on 19 April 2006 in the Dubai International Finance Centre (DIFC) under the Companies Law, DIFC law No. 5 of 2018. The Company’s registered office is at Precinct 4, Level 3, Gate Precinct Building, DIFC, PO Box 506592, Dubai, United Arab Emirates.

The Company is privately owned by Investment Corporation of Dubai (“ICD”), ICD Hospitality & Leisure LLC and Dubai Silicon Oasis Authority. ICD Hospitality & Leisure LLC and Dubai Silicon Oasis Authority (“DSOA”) are subsidiaries of ICD. ICD, directly and indirectly, owns 100% of the issued and allotted shares of the Company, and is therefore, the ultimate controlling party of the Group. ICD is controlled by the Government of Dubai. The balance of issued shares is held by the Company as treasury shares.

DAE is made up of two divisions:

- A. DAE Capital – a provider of aircraft leasing and financing services to the global aviation industry; and
- B. DAE Engineering – a provider of commercial maintenance, repair and overhaul services.

The operational highlights for the six month period ended 30 June 2019 (the “period”) are summarised below:

- Purchases – the Group purchased eight aircraft during the period (2018: 15).
- Sales – the Group disposed of 18 aircraft during the period (2018: eight).
- The total number of owned aircraft at 30 June 2019 was 302, no aircraft were classified as held-for-sale (31 December 2018: 312 including 16 aircraft classified as held-for-sale). The Group also managed 51 aircraft as at 30 June 2019 (31 December 2018: 37).

The condensed consolidated interim financial statements have been reviewed, not audited.

The condensed consolidated interim financial statements were approved 5 August 2019 and signed by:

/s/ Firoz Tarapore

Firoz Tarapore
Chief Executive Officer

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements have been presented in US Dollars (“USD”), which is also the functional currency of the Group. All values are rounded to the nearest USD thousands, except when otherwise indicated. The functional currency of all the subsidiaries is USD, except for one whose functional currency is Jordanian Dinar (“JOD”), which is pegged to the USD.

3. Accounting policies

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and amended standards as set out below.

The Group has adopted IFRS 16 “Leases” (“IFRS 16”), from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions of IFRS 16.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases related to office buildings and land which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.3%.

For leases of buildings previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are applied from 1 January 2019.

In thousands of USD

Operating lease commitments disclosed as at 31 December 2018	27,716
Discounted using the weighted average incremental borrowing rate at the date of initial application	21,116
Less: short-term leases recognised on a straight-line basis as expense	(737)
	20,379
Add: finance lease liabilities recognised as at 31 December 2018	17,765
Lease liabilities recognised as at 1 January 2019	38,144

In thousands of USD

	30 June 2019	1 Jan 2019
Lease liabilities	36,237	38,144

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

3. Accounting policies (continued)

The associated right-of-use assets for property and land leases were measured at the amount equal to the lease liability and have been recognised within Property, plant and equipment.

The recognised right-of-use assets relate to the following:

In thousands of USD

Property leases	17,505
Land lease	2,874
Right-of-use assets recognised as at 1 January 2019	20,379
Add: Property leases classified as finance leases as at 31 December 2018	30,360
Right-of-use assets recognised as at 1 January 2019	50,739

In thousands of USD

	30 June	1 Jan
	2019	2019
Right-of-use assets	47,571	50,739

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made under IAS 17. The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods.

Until the 2018 financial year, leases were classified as either finance or operating leases. Payments made under operating leases were charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments. The lease payments are discounted using the rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost equal to the amount of the initial measurement of lease liability.

All other accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2018.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

4. Critical accounting estimates and judgments

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at, and for the year ended, 31 December 2018.

5. Financial risk management and fair value estimation

Financial risk management

The group is exposed to a variety of financial risks which involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. DAE's aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on DAE's financial performance.

The condensed consolidated interim financial statements do not include all financial risk information and disclosures required in the annual financial statements. As there has been no change in the risk management policies, the condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018.

Fair value estimation

The levels of fair value hierarchy are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivatives are the only financial instruments which are carried at fair value and fall into Level 2 of the fair value hierarchy. Derivatives comprise interest rate and reverse swaps. The fair value of interest rate swap contracts is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market based inputs including interest rates, foreign-exchange rates, and implied volatilities.

Risks and uncertainties

In preparing these condensed consolidated interim financial statements, the risk and uncertainties borne by the Group were the same as those that applied to the consolidated financial statements as at, and for the year ended, 31 December 2018.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

6. Revenue

<i>In thousands of US Dollars</i>	30 June 2019	30 June 2018
Lease rental income	682,764	675,631
Provision of engineering maintenance services	38,764	33,114
Total revenue	721,528	708,745

Included in lease rental income for the period is the release of maintenance reserves (net of the derecognition of maintenance right assets of USD 13.6 million) totalling USD 38.6 million (2018: USD 10.5 million).

In addition, lease rental income includes a net charge associated with allowance for impairment of trade and other receivables of USD 8.3 million (2018: USD 0.1 million).

Lease rental income also includes a net charge associated with the amortisation of lease incentive assets, lease discounts and other lease costs of USD 16.9 million (2018: USD 13.0 million).

7. Finance income and expense

<i>In thousands of US Dollars</i>	30 June 2019	30 June 2018
Interest on notes receivable	23,477	25,101
Interest on bank accounts and short-term investments	4,388	3,468
Gains on financial instruments	3,245	10,777
Finance lease income	3,030	4,556
Movement in fair value of derivatives	-	18,532
Total finance income	34,140	62,434
Interest on borrowings	(200,871)	(208,229)
Amortisation of debt issuance costs	(19,954)	(7,534)
Net foreign exchange (loss)/gain	(303)	309
Other charges	(1,211)	(2,134)
Total finance expense	(222,339)	(217,588)
Net finance cost	(188,199)	(155,154)

Gains on financial instruments relate to gains on the repurchase of senior unsecured notes and breakage gains on the early repayment of certain loans and borrowings during the period.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

8. Income tax expense

<i>In thousands of US Dollars</i>	30 June 2019	30 June 2018
Current tax expense		
Current period	1,831	750
Deferred tax expense		
Origination and reversal of temporary differences	14,230	28,036
Total income tax expense	16,061	28,786

Reconciliation of effective tax rate

<i>In thousands of US Dollars</i>	30 June 2019	30 June 2018
Profit for the period	197,070	195,222
Income tax expense	16,061	28,786
Profit before income tax	213,131	224,008
Income subject to tax in United Arab Emirates at 0%	-	-
Income subject to tax in Ireland at 12.5%	15,701	27,333
Income subject to tax in US	1,830	750
Income taxable at other rates	(3,334)	(4,632)
Impact of losses not recognised	2,480	5,328
Tax arising on permanent items	(616)	7
Total income tax expense	16,061	28,786

The income tax expense for the period ended 30 June 2019 was primarily driven by tax arising on the Group's Irish activities at 12.5%. A tax benefit arose as a result of losses arising in other jurisdictions, primarily Hungary, however based on current income projections, these losses have not been recognised. The reduction in the effective tax rate relates primarily to a reduction in the profits of the Group attributable to Ireland as well as a reduction in the losses for which no tax benefit was recognised.

The income tax expense for the period ended 30 June 2018 was primarily driven by tax arising on the Group's Irish activities at 12.5%. A tax benefit arose as a result of losses arising in other jurisdictions, primarily Hungary, however based on current income projections, these losses have not been recognised.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

9. Aircraft held for lease

<i>In thousands of US Dollars</i>	Aircraft and engines	Maintenance right asset	Lease discount	Total
Cost				
At 31 December 2017	12,058,031	1,068,319	(34,682)	13,091,668
Additions	1,663,672	-	-	1,663,672
Transfers	84,235	(84,235)	-	-
Transfers to assets held-for-sale	(1,335,309)	(90,778)	364	(1,425,723)
Transfer from finance lease receivable	57,900	-	-	57,900
Derecognition	-	(49,188)	(597)	(49,785)
Disposals	(484,852)	(19,980)	326	(504,506)
At 31 December 2018	12,043,677	824,138	(34,589)	12,833,226
Additions	615,362	-	-	615,362
Transfers	19,313	(19,313)	-	-
Derecognition	-	(15,165)	777	(14,388)
Disposals	(44,728)	-	-	(44,728)
At 30 June 2019	12,633,624	789,660	(33,812)	13,389,472
Depreciation				
At 31 December 2017	1,017,995	25,256	(1,903)	1,041,348
Charge / (credit) for the year	496,964	57,195	(5,707)	548,452
Transfers to assets held-for-sale	(277,436)	(6,239)	(390)	(284,065)
Derecognition	-	(6,036)	(597)	(6,633)
Disposals	(172,519)	(1,752)	222	(174,049)
At 31 December 2018	1,065,004	68,424	(8,375)	1,125,053
Charge / (credit) for the period	256,814	23,179	(3,895)	276,098
Derecognition	-	(1,516)	777	(739)
Disposals	-	-	-	-
At 30 June 2019	1,321,818	90,087	(11,493)	1,400,412
Net book value				
At 31 December 2018	10,978,673	755,714	(26,214)	11,708,173
At 30 June 2019	11,311,806	699,573	(22,319)	11,989,060

As of 30 June 2019, the Group owned 302 aircraft and no aircraft were classified as held-for-sale (31 December 2018: 312 aircraft including 16 aircraft held-for-sale). The Group had 295 aircraft held for lease on an operating lease basis (31 December 2018: 304 aircraft) and seven aircraft recognised as finance lease receivables (31 December 2018: eight aircraft). During the period, the Group sold 18 aircraft (30 June 2018: eight aircraft). The Group purchased eight aircraft in the period (30 June 2018: 15 aircraft).

During the period, the Group derecognised USD 13.6 million (2018: USD 13.5 million) of maintenance right assets related to aircraft which were redelivered to the Group. An amount of USD 21.1 million has been recognised as maintenance reserve release in relation to these aircraft (2018: USD 15.4 million). These amounts are netted within revenue in the condensed consolidated statement of profit or loss and other comprehensive income.

The Group's obligations under its secured loans are secured by charges over, amongst other things, the Group's aircraft and related assets. As at 30 June 2019, management did not identify any indicators of impairment for the Group's aircraft in accordance with IAS 36 *Impairment of Assets*.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

10. Held-for-sale

At 30 June 2019, the Group had no agreements which met the requirement to be classified as held-for-sale (31 December 2018: 16 aircraft and one forward order aircraft). During the period the Group sold 16 aircraft and one forward order aircraft, previously held-for-sale for a net gain of USD 31.0 million.

<i>In thousands of US Dollars</i>	30 June 2019	31 Dec 2018
Assets classified as held-for-sale		
Aircraft held-for-lease	-	506,013
Deposits for aircraft purchases	-	15,091
Total	-	521,104
Liabilities classified as held-for-sale		
Maintenance reserves and security deposits	-	120,897
Total	-	120,897

11. Deposits for aircraft purchases

<i>In thousands of US Dollars</i>	30 June 2019	31 Dec 2018
Beginning of the period / year	70,663	638,184
Additions	143,643	103,535
Transferred to aircraft held-for-sale	-	(15,091)
Transferred to aircraft held for lease	(55,664)	(655,965)
End of the period / year	158,642	70,663

Deposits for aircraft purchases represent payments made by the Group for the purchase of aircraft in accordance with the payment schedules as set out in the purchase agreements.

In connection with these purchase agreements, the Group took delivery of four aircraft during the period (31 December 2018: 28 aircraft) for which the total amount of deposits for aircraft purchases reclassified to aircraft held for lease amounted to USD 55.7 million (2018: USD 656.0 million).

12. Cash and cash resources

<i>In thousands of US Dollars</i>	30 June 2019	31 Dec 2018
Cash and cash equivalents	217,325	192,950
Restricted cash	132,988	215,802
Total cash and cash resources	350,313	408,752

Cash and cash resources subject to withdrawal restrictions represent balances securing the Group's obligations under third party credit facilities. Certain amounts received from lessees in respect of aircraft subject to certain funding arrangements are required to be held in segregated accounts to support, amongst other things, certain maintenance related payments including major airframe overhauls, engine overhauls, engine life limited parts replacements, auxiliary power unit overhauls and landing gear overhauls, as well as interest and principal payments on the related debt facility.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

13. Capital and reserves

<i>In thousands of US Dollars</i>	30 June	31 Dec
	2019	2018
Authorised, issued and paid-up capital	1,927,770	1,927,770
Additional paid-in capital	517,884	517,884
Retained earnings	1,361,849	1,165,157
Treasury shares	(442,001)	(85,000)
Other reserves	(55,144)	(10,329)
Attributable to equity holders of the parent	3,310,358	3,515,482
Non-controlling interests	9,734	9,356
Total equity	3,320,092	3,524,838

The authorised and issued share capital of the Company at 30 June 2019 comprised of 1,927,770 ordinary shares of USD 1,000 par value each (31 December 2018: 1,927,770 ordinary shares of USD 1,000 par value each).

The movement in retained earnings relates to the profit generated by the Group during the period.

The movement in other reserves related to the movement in fair value reserves during the period.

In March 2019, the Group repurchased ordinary shares held by ICD Hospitality & Leisure LLC and Dubai Silicon Oasis Authority for USD 250.0 million. These shares are reported within equity as treasury shares in the condensed consolidated statement of financial position.

In June 2019, the Group repurchased ordinary shares held by Emaar Properties PJSC for USD 107.0 million. These shares are reported within equity as treasury shares in the condensed consolidated statement of financial position.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

14. Loans and borrowings

The contractual terms of the Group's interest-bearing loans and borrowings are:

<i>In thousands of US Dollars</i>	30 June 2019	31 Dec 2018
Principal	9,107,497	9,296,731
Accrued and unpaid interest	60,664	65,937
Fair value hedges	1,086	(3,359)
Total borrowings	9,169,247	9,359,309
Debt issuance costs	(87,667)	(98,701)
Net borrowings	9,081,580	9,260,608
Non-current liabilities	30 June 2019	31 Dec 2018
Borrowings	8,554,236	8,217,583
Debt issuance costs	(64,081)	(72,857)
Non-current borrowings	8,490,155	8,144,726
Current liabilities	30 June 2019	31 Dec 2018
Borrowings	615,011	1,141,726
Debt issuance costs	(23,586)	(25,844)
Current borrowings	591,425	1,115,882

The movement in loans and borrowings, excluding debt issuance costs is summarised as below:

<i>In thousands of US Dollars</i>	30 June 2019	31 Dec 2018
At the beginning of the period/year	9,359,309	10,505,85
Loan drawdowns	1,719,576	3,750,891
Loan repayments	(1,801,870)	(4,471,741)
Debt repurchased	(86,634)	(397,559)
Amortisation of fair value discounts	(2,541)	(22,544)
Movement in fair value hedge adjustment	4,445	(1,694)
Movement in accrued interest	(5,273)	(3,342)
Finance lease reclassification*	(17,765)	-
Revaluation of loans	-	(553)
At the end of the period/year	9,169,247	9,359,309

* As a result of the adoption of IFRS 16, the Group reclassified finance lease liabilities from loans and borrowings to lease liabilities.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

14. Loans and borrowings (continued)

Details of outstanding loans at 30 June 2019 is as follows:

<i>In thousands of US Dollars</i>	30 June 2019
Non-recourse obligations	357,741
Recourse obligations (including ECA, Ex-Im & EDC)	3,397,660
Senior unsecured notes	2,857,342
Unsecured facilities	461,970
Revolving credit facilities	1,878,026
Term loan 2014	216,508
Total borrowings	9,169,247

Details of outstanding loans at 31 December 2018 is as follows:

<i>In thousands of US Dollars</i>	31 Dec 2018
Non-recourse obligations	828,243
Recourse obligations (including ECA, Ex-Im & EDC)	3,994,958
Senior unsecured notes	2,949,242
Unsecured facilities	357,129
Revolving credit facilities	1,001,631
Term loan 2014	228,106
Total borrowings	9,359,309

15. Maintenance reserves and security deposits

<i>In thousands of US Dollars</i>	30 June 2019	31 Dec 2018
Non-current maintenance reserves and security deposits		
Maintenance reserves	985,039	926,112
Security deposits	178,731	198,958
Total	1,163,770	1,125,070

<i>In thousands of US Dollars</i>	30 June 2019	31 Dec 2018
Current maintenance reserves and security deposits		
Maintenance reserves	204,234	194,144
Security deposits	8,873	5,188
Total	213,107	199,332

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

15. Maintenance reserves and security deposits (continued)

Maintenance reserves

<i>In thousands of US Dollars</i>	30 June 2019	31 Dec 2018
At the beginning of the period/year	1,120,256	1,143,937
Additions	227,990	457,190
Reimbursed / paid	(98,324)	(232,170)
Released	(60,649)	(134,533)
Reclassified to liabilities held-for-sale	-	(114,168)
At the end of the period/year	1,189,273	1,120,256

Security deposits

<i>In thousands of US Dollars</i>	30 June 2019	31 Dec 2018
At the beginning of the period/year	204,146	218,046
Additions	22,410	34,184
Repaid	(38,952)	(41,355)
Reclassified to liabilities held-for-sale	-	(6,729)
At the end of the period/year	187,604	204,146
Total maintenance reserves and security deposits	1,376,877	1,324,402

16. Leases

Operating leases

Group as a lessor

As at 30 June 2019, the Group owned 302 aircraft (31 December 2018: 312 aircraft). Future minimum annual rentals to be received under the leases are as follows:

<i>In thousands of US Dollars</i>	30 June 2019	31 Dec 2018
Within one year	1,291,135	1,324,670
After one year but not more than five years	4,178,117	4,279,751
More than five years	2,428,276	2,450,365
Total	7,897,528	8,054,786

During the term of most leases, lessees pay an additional amount based on usage to fund the estimated costs of scheduled major maintenance of the airframe and engines. These amounts are accounted for as maintenance reserves and are disclosed under note 15.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

16. Leases (continued)

Finance leases

Group as lessor

As at 30 June 2019, the Group owned seven aircraft under finance lease agreements (31 December 2018: eight aircraft). The Group's finance lease receivables are secured by the Group's title to the leased assets.

In thousands of US Dollars

	30 June 2019	31 Dec 2018
Finance leases – gross receivables	126,514	138,633
Unearned finance income	<u>(29,826)</u>	<u>(31,898)</u>
Total non-current receivables	<u>96,688</u>	<u>106,735</u>
Finance leases – gross receivables	16,600	18,360
Unearned finance income	<u>(6,826)</u>	<u>(7,394)</u>
Total current receivables	<u>9,774</u>	<u>10,966</u>

Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are as follows:

	30 June 2019		31 Dec 2018	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	16,600	9,774	18,360	10,966
After one year but not more than five years	65,080	43,560	70,440	47,447
More than five years	61,434	53,128	68,193	59,288
Total	<u>143,114</u>	<u>106,462</u>	<u>156,993</u>	<u>117,701</u>
Less: unearned finance income	<u>(36,652)</u>	-	<u>(39,292)</u>	-
Total	<u>106,462</u>	<u>106,462</u>	<u>117,701</u>	<u>117,701</u>

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The finance lease receivables at the end of the reporting period are neither past due nor impaired.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

17. Related party transactions

For the purpose of these condensed consolidated interim financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control and the key management personnel of the Group. Related parties may be individuals or other entities.

a) Transactions with related parties included in the condensed consolidated interim statement of profit or loss and other comprehensive income are as follows:

- During the period, the Group received an amount of USD 129.3 million (30 June 2018: USD 107.6 million) being aircraft lease rentals from companies under common control. The total number of aircraft leased to companies under common control was 11 as of 30 June 2019 (30 June 2018: 12 aircraft).
- The Group also provided engineering maintenance services to companies under common control amounting to USD 2.2 million (30 June 2018: USD 5.3 million).
- Finance income on the bank balances and fixed deposits with companies under common control for the period amounts to USD nil (30 June 2018: USD 0.4 million).
- Finance income on notes receivable from shareholders during the period amounts to USD 23.5 million (30 June 2018: USD 25.1 million). The closing balance as at 30 June 2019, including interest accrued, was USD 1,238.3 million (31 December 2018: USD 1,464.8 million). During the period ended 30 June 2019, USD 246.8 million of principal and USD 3.2 million of accrued interest was repaid.
- Finance expense for the period in respect of loans from related companies under common control amounts to USD 26.6 million (30 June 2018: USD 29.8 million).
- The Group also uses a number of Government controlled public entities for its operations in Dubai, where these entities are the sole providers of the relevant services. This includes the supply of electricity and water.

b) Compensation of key management personnel for the period:

<i>In thousands of US Dollars</i>	30 June 2019	30 June 2018
Salaries and benefits	6,744	5,644
Total	6,744	5,644

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

18. Investment in debt instruments

The Group has a minority investment in debt instruments (E-notes) advanced to two Asset Backed Securitisation (“ABS”) vehicles (the “Borrowers”), to which it also acts as servicer. The debt was used by the Borrowers to fund the acquisition of a portfolio of aircraft at the inception of the ABS. The debt advanced is non-recourse and the Group receives principal and interest in accordance with the priority of payments of the respective ABS vehicles. As at 30 June 2019, the value of the debt outstanding is USD 19.1 million (31 December 2018: nil). Debt instruments are measured at fair value. Net gains and losses, including any interest receivable are recognised in profit or loss.

19. Capital commitments

At 30 June 2019 the Group had a commitment to purchase four aircraft scheduled to deliver during 2019 and 2020.

A portion of the aggregate purchase price for the purchase of aircraft will be funded by incurring additional debt. The exact amount of the indebtedness to be incurred will depend upon the actual purchase price of the aircraft, which can vary due to a number of factors, including inflation, and the percentage of the purchase price of the aircraft which must be financed.

The total capital commitments at 30 June 2019 is USD 528.9 million (31 December 2018: USD 125.0 million).

20. Subsequent events

Subsequent to period end Dubai Aerospace Enterprise (DAE) Ltd was assigned Long-Term Issuer Default Rating (IDR) of 'BBB-' with Stable Outlook and senior secured long-term rating of 'BBB' by Fitch Ratings. Fitch Ratings also assigned DAE Funding LLC (a wholly owned subsidiary of DAE) senior unsecured long-term rating of 'BBB-'.

There were no other significant events subsequent to 30 June 2019.